

STATEMENT OF SENATOR JOHN McCAIN  
CHAIRMAN, SENATE COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION  
AVIATION SUBCOMMITTEE HEARING  
ON AVIATION COMPETITION  
APRIL 23, 1998

Thank you, Mr. Chairman. This hearing is most timely, given the recently-announced Department of Transportation guidelines on aviation competition. It is also important that we begin to discuss the consumer impact of projected consolidation in the domestic airline industry.

The Department of Transportation has taken a positive step forward. It has initiated a policy that outlines the parameters for its ongoing review of competition in the aviation industry.

Perhaps these parameters could be improved, or more clearly written. Fortunately, the DOT has sought public participation in the development of its policy. I expect that the comment period, and possibly the experience formed from implementing the policy, will help to fine-tune the competition guidelines.

The policy sets out criteria against which all airlines can gauge their behavior. Just as important, the criteria enable the carriers to determine whether they have been dealt with fairly by the DOT, as well as their competitors.

Let's face it. The Department of Transportation has reviewed the competitiveness of the airline industry for years. When DOT officials felt that the circumstances warranted intervention, the Department used informal methods, so-called jawboning, to persuade an incumbent carrier to back off of the new entrant that entered its market.

Putting any sort of due process aside, DOT officials threatened the incumbent carriers with arbitrary forms of punishment whenever they perceived that a carrier was competing "too aggressively" -- whatever that means. I believe that predictable criteria provide a far more reasoned approach. Whether the issue concerns anti-competitive enforcement action, or the allocation of federal grant funds, I believe that sound and clear decision making criteria are vital.

As one of our witnesses noted in his testimony, in a perfect world free entry is the best way to clear away impediments in competition. This world is far from perfect. My experience in trying to open access to slot-controlled and perimeter-constrained airports is proof of that. That is my approach. Given the increasing barriers to entry in the airline industry, I commend the DOT for attempting to develop one of its own.

Industry consolidation, and its competitive impact on air travelers, is in some ways a more difficult issue to grasp. Resurfacing are the reservations I expressed when we first embarked on this course by endorsing international airline alliances. It is possible that passengers stand to benefit from the joining of U.S. competitors. At least on the international front, however, the anti-competitive implications of alliances appear to be adequately countered by the benefits of open skies. I am eager to engage in this debate.

Thank you, Mr. Chairman, and I thank all of our witnesses today for their contributions.